88-771

Supreme Court, U.S.
FILED
OCT 31 1988
JOSEPH F. SPANIOL, JR.
CLERK

No. _____

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

SUN-TEK INDUSTRIES, INC.

Petitioner,

v.

KENNEDY SKY-LITES, INC. and KENERGY CORPORATION,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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Petitioner is an affiliate, through common stock ownership by Petitioner's president, Mr. J. William Powell, of Sun-Tek Leasing, Inc., and Sun-Tek Trucking, Inc.

QUESTIONS PRESENTED

May a district court, under Rules 59(e) or 60(b) of the Federal Rules of Civil Procedure, reverse part of a final judgment and award attorneys' fees for fraud in the Patent and Trademark Office in an amended final judgment from which Respondents subsequently appealed?

Where a case becomes moot on appeal, by the deliberate action of an Appellant, is the proper course of action to dismiss the appeal or to vacate the judgment below and allow the Appellant to eliminate findings adverse to it?

PARTIES

The following persons and entities were parties to the proceeding in the Court of Appeals: Sun-Tek Industries, Inc. (Plaintiff-Appellee); and Kennedy Sky-Lites, Inc., and Kenergy Corporation (Defendants-Appellants).

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7 J. Moore, W. Tagger & J. Wicker, Moore's Federal Practice, ¶60.18(a)(3) 22

OPINIONS BELOW

The Court of Appeals' opinion sought to be reviewed, which is reported at 848 F.2d 179, and additional orders of the Court of Appeals which are not reported appear in the Appendix. The Final Judgment, Amended Final Judgment, and Final Judgment on Attorneys' Fees also appear in the Appendix with other relevant materials from the records in the courts below.

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JURISDICTIONAL STATEMENT

The judgment of the Court of Appeals for the Federal Circuit was entered June 6, 1988. The Federal Circuit denied Petitioner's petition for rehearing on August 1, 1988. The Federal Circuit subsequently declined Petitioner's Suggestion of Rehearing In Banc August 11, 1988. The Court's jurisdiction is invoked

under 28 U.S.C. Section 1254.

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FEDERAL RULES INVOLVED

Rule 59(e) of the Federal Rules of Civil Procedure:

"Motion to Alter or Amend a Judgment.

A motion to alter or amend a judgment shall be served not later than 10 days after entry of the judgment."

Rule 60(b) of the Federal Rules of Civil Procedure:

"Mistakes; inadvertence; excusable neglect; newly discovered evidence; fraud, etc.

On motion and upon such terms as are just, the court may relieve a party or a party's legal representative from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable

neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying relief from the operation of the judgment. The motion shall be made within a reasonable time, and for reasons (1), (2), or (3) not more than one year after the judgment, order, or proceeding was entered or taken. A motion under this

subdivision (b) does not affect the finality of a judgment or suspend its operation. This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, order or proceeding, or to grant relief to a defendant not actually personally notified as provided in Title 28, U.S.C., §1655, or to set aside a judgment for fraud upon the court. Writs of *coram nobis, coram vobis, audita querela* and bills of review and bills in the nature of a bill of review, are abolished, and the procedure for obtaining any relief from a judgment shall be by motion as prescribed in these rules or by an independent action.

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STATEMENT OF THE CASE

This case arises from a license

agreement executed between the Parties on July 8, 1980. That license agreement was part of a settlement of previous litigation between the Parties in which Respondents had sued Petitioner, in the Florida courts, for theft of trade secrets and related allegations. Through the license agreement, Petitioner agreed to pay Respondents a license fee and royalties for various skylight machinery and skylight patents then in prosecution.

On July 14, 1981, the first patent covered by the license agreement, patent No. 4,278,414, issued. A subsequent, related patent, 4,344,261, issued August 17, 1982. Later, related patents issued on October 15, 1982 (4,352,776) and May 8, 1984 (4,447,200).

Following issuance of the '414 patent, Respondents made formal demands upon

Petitioner for the payment of royalties under the license agreement. On September 28, 1982, however, Petitioner filed this action, in Federal District Court for the Middle District of Florida, Orlando Division, against Respondents. Petitioner alleged Respondents had perpetrated fraud in the Patent and Trademark Office ("PTO"), seeking a declaratory judgment of invalidity of the patents for fraud, obviousness, anticipation, and prior art under the Patent Code (35 U.S.C. §§102 and 103), damages and injunctive relief under Sections 1 and 2 of the Sherman Act (15 U.S.C. §§1 and 2), and for rescission of the license agreement entered July 8, 1980. Petitioner prayed for an award of its attorneys' fees under the exceptional case provision of the Patent Code (U.S.C. §285). Some 2 days later, Respondents

filed an action for specific performance in Florida state court seeking payment of royalties under the license agreement Petitioner sought rescinded in the Federal action. Respondents subsequently answered the complaint and counterclaimed for infringement of the patents-in-suit.

Some 4 years after the complaint was filed, this action was tried before a jury. After a 2-week trial, the jury returned a unanimous special verdict for Petitioner in July 1986. The jury found Respondents had committed fraud in the PTO in the prosecution of their lead patent ('414). It determined nearly all claims of each and every patent-in-suit were invalid for anticipation, obviousness, or prior art, found Petitioner did not infringe on the two patents on which Respondents alleged infringement, and

found two of the patents-in-suit were also invalid for other violations of the PTO's rules of practice. In an advisory verdict, the jury also recommended the license agreement be rescinded. The antitrust counts did not reach the jury because they were the subject of directed verdicts for Respondents.

Some 3 months later, the District Court entered judgment on the jury's verdict, including the findings of fraud and invalidity, and ordered the license agreement rescinded. Although the District Court found this case was not exceptional under Section 285 of the Patent Code (35 U.S.C. §285), on which an award of attorneys' fees can be based, it ordered further proceedings on the issue of attorneys' fees consistent with its judgment.

Within 10 days after entry of the final judgment, Respondents filed a motion for reconsideration under Rule 59(e). They later filed motions for rehearing, judgment n.o.v., and for a new trial following entry of the final judgment.

Some 19 days after entry of the final judgment in October 1986, Petitioner submitted its motion and memorandum in support of an award of attorneys' fees. Petitioner argued the fraud and other grounds of invalidity found by the jury and incorporated in the judgment required a reversal, as a matter of law, of the final judgments' finding of no exceptional case. Petitioner also argued Respondents' conduct required the imposition of sanctions after post-final judgment discovery ordered by the District Court revealed Respondents had attempted to

prevent a material witness from testifying at trial.

The District Court entered an Amended Final Judgment some 6 months later in March 1987. It affirmed the previous findings of fraud, invalidity, and rescission, and reversed the previous finding of no exceptional case after a substantial discussion of the evidence of fraud adduced on the record and review of post trial motions and memoranda. The District Court therefore concluded Petitioner deserved its attorneys' fees, and awarded approximately $416,000.00 in fees and some $31,000.00 in costs.

Following entry of the Amended Final Judgment, the District Court, at Respondents' request, ordered a hearing on the level of Petitioner's attorneys' fees. Following that hearing in April 1987, the

District Court increased its award to some $440,000.00 in attorneys' fees and $42,000.00 in costs.

Respondents allowed the 30-day period for appealing the Amended Final Judgment to lapse and were granted by the District Court a waiver of the 30-day jurisdictional requirement under Rule 4(a)(5) of the Federal Rules of Appellate Procedure. They did not, however, appeal the judgment of non-infringement.

While this case was on appeal, Respondents and their counsel were found by the District Court to have violated terms of a *supersedeas* bond reduction order. They failed to post an additional bond required by the District Court. In December 1987, Petitioner then executed on and satisfied the judgment in the amount of $518,000.00 representing fees, costs,

the rescinded license fee, and interest. The Court of Appeals for the Federal Circuit subsequently dismissed, as frivolous, a separate appeal taken by Respondents from the bond order and imposed sanctions, under Rule 38 of the Federal Rules of Appellate Procedure, on Respondents' counsel. That case is reported as *Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc., et al.*, _____ F.2d ____, 8 U.S.P.Q.2d 1154 (Fed. Cir. 1988).

In an opinion entered June 23, 1988, the Court of Appeals vacated in part and dismissed in part the District Court's judgments on review. It held the District Court was without authority to alter or amend its judgment under Rule 59(e) and it therefore vacated the award of attorneys' fees to Petitioner. It also vacated, as

moot, the judgment of unenforceability of the patents-in-suit. It concluded no case or controversy existed between the Parties on the issue of enforceability or invalidity because Respondents had not appealed the judgment of non-infringement. Accordingly, it determined it was not required to review the enforceability or invalidity of the '414 and '261 patents.

The Court of Appeals subsequently denied Petitioner's request for rehearing and declined Petitioner's suggestion for rehearing *in banc*.

EXISTENCE OF JURISDICTION BELOW

The District Court has federal jurisdiction under 28 U.S.C. §§1331 and

1338(a); and 2201 and 2202, under the federal question presented under the Patent Code and the Federal Declaratory Judgment Act, respectively.

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REASONS FOR GRANTING THE WRIT

I. Summary of Argument

The Supreme Court should grant *certiorari* in this case because the opinion below conflicts with decisions of other Courts of Appeals concerning jurisdiction of a District Court to correct mistakes in judgments under Rules 59(e) and 60(b). This case also joins the novel issue of one Court of Appeals (the Federal Circuit) electing to sit as another Court of Appeals (the Eleventh Circuit) in an announced effort by the former to apply the procedural law of the latter. By misapplying the procedural law

of the Eleventh Circuit, the Federal Circuit has created a conflict in decisions within the Eleventh Circuit. Absent resolution by the Supreme Court on *certiorari*, such a result threatens to carve out an anomalous exception, for vitally important patent litigation, for otherwise controlling procedural precedent.

Certiorari should also be granted because the decision below also creates intolerable tension between Rules 59(e) and 60(b) of the Federal Rules of Civil Procedure. Left unreviewed, the Federal Circuit's decision would deprive District Courts of their ability to correct their judgments where, as here, the full spectrum of fraud perpetrated on an agency of the Federal government did not become apparent until shortly after entry of the

final judgment.

The patent fraud found below by the judge and jury also justifies issuance of the requested writ. The integrity of the PTO's practice and procedure depends substantially upon the patent applicant's duty of candor and requires the private attorneys-general concept of the exceptional case statute. The Federal Circuit's holding below on the District Court's finding of exceptional case squarely contradicts decisions of that same circuit which provide a finding of exceptional case may be made at any time.

This case also presents a second independent basis for issuing *certiorari* to the Federal Circuit. The court below misapplied the concept of mootness and thereby created a conflict between decisions of the Federal Circuit, on the

one hand, and decisions of this Court and other Courts of Appeals, on the other. The net result of the decision below is to allow patents stricken for fraud to be revived solely because the fraudulent patentees did not appeal the judgment of non-infringement they also lost. Left unresolved, the decision of the Federal Circuit will geometrically expand the scope of patent litigation by allowing the holders of patents invalidated by the courts to revive their stricken patents by consciously failing to appeal, as here, counterclaims for infringement of their invalid patents.

II. The Federal Circuit's disposition of the case below conflicts with the treatment of Rules 59(e) and 60(b) by other Courts of Appeals, including the Eleventh Circuit, the precedent of which the Federal Circuit attempted to apply.

The decision below, which holds a District Court is powerless to correct acknowledged errors in its judgment if a motion to alter or amend a judgment is not filed under Rule 59(e) within 10 days after entry of a final judgment, creates a conflict with the laws of other Circuits on two levels. For one, the Courts of Appeals of the Third, Fourth and Seventh Circuits have held precisely the opposite. In *Glick v. White Motor Co.*, 317 F.Supp. 42 (E.D. Pa. 1970), *aff'd*, 458 F.2d 1287 (3rd Cir. 1972), *United States v. Hollis*, 424 F.2d 188, 191 (4th Cir. 1970), and *Continental Casualty Co. v. American Fidelity & Casualty Co.*, 186 F.Supp. 173,

178 (S.D. Ill. 1959), *aff'd*, 275 F.2d 381 (7th Cir. 1960), respectively, Courts of the Third, Fourth, and Second Circuits have determined a District Court need not, within 10-days, reserve such jurisdiction *sua sponte* or require a Rule 59(e) motion to be filed subsequently to alter or amend a final judgment where, as here, no notice of appeal had been filed by any party.

The decision below also merits issuance of the requested writ because it conflicts with precedent of the Eleventh Circuit, the very law the Federal Circuit attempted to apply under its announced practice of applying the procedural law of the circuit in which the case arose. See, *Panduit Corp. v. All States Plastics Mfg., Co.*, 744 F.2d 1564, 1575 (Fed. Cir. 1984). The result of the Federal Circuit's vicarious application of Eleventh Circuit law was to

misinterpret the procedure the Eleventh Circuit would have applied.

Under Eleventh Circuit law, the District Courts possess authority, under Rule 60(b), to correct errors in judgments well after expiration of the Rule 59(e) ten-day time limit. In *Oliver v. Home Indemnity Co.*, 470 F.2d 329 (5th Cir. 1972), for example, the Eleventh Circuit, on which former Fifth Circuit precedent is binding under *Bonner v. City of Pritchard*, 661 F.2d 1206, 1209 (11th Cir. 1981)(*in banc*), held a District Court had jurisdiction, under Rule 60(b), to correct its judgment well beyond 10 days after judgment where, as here, a party timely challenged a judgment under Rule 60(b). In *Oliver*, as in the case at bar, the Eleventh Circuit District Courts entered

amended final judgments correcting their earlier mistakes.

Precedent of the Eleventh Circuit establishes the District Courts are not confined by Rule 59(e) in the correction of errors before appeal. See, *e.g.*, *Parks v. U.S. Life & Credit Corp.*, 677 F.2d 838 (11th Cir. 1982) *rehearing denied*, *Alexander v. Orleans Parish Prison*, 685 F.2d 1385 (5th Cir. 1982)(mistakes of judges may be remedied under Rule 60(b)(1) and the Rule encompasses mistakes in the application of law); *Lairsey v. Advanced Abrasives Co.*, 542 F.2d 928 (5th Cir. 1976) (a rule 60(b)(1) motion even lies while the case is on appeal); *Hand v. United States*, 441 F.2d 529 (5th Cir. 1971) (a rule 60(b) motion lies where a verdict is inconsistent); and *Martin v.*

H.M.B. Construction Co., 279 F.2d 495 (5th Cir. 1960).

The Federal Circuit's decision creates unacceptable tension between Rules 59(e) and 60(b). It threatens to place unanticipated strictures on the Federal Rules of Civil Procedure by not recognizing the District Court held appropriate jurisdiction to correct its mistake, and to act on evidence of fraud under Rule 60(b). Professor Moore has recognized the flexibility afforded to the District Courts under Rule 60(b). In dispensing with the notion Rules 59(e) and 60(b) are somehow mutually exclusive, he observed:

> [T]he courts should and do give liberal construction to 60(b). Nomenclature is unimportant. For example, a motion that is made under Rule 59, which is not timely and hence may not properly be considered under that rule may, nevertheless, be considered as a motion under Rule

> 60 when it states grounds for relief of this latter rule. It is also true that since nomenclature is unimportant, moving papers that are mislabeled in other ways may be treated as motions under Rule 60(b) when relief would be proper under that rule.

7 J. Moore, W. Tagger & J. Wicker, Moore's Federal Practice, ¶60.18(8), 2d ed. 1987.

In this case, Petitioner's motion for attorneys' fees submitted, as directed by the District Court, some 19 days after entry of the final judgment, specifically argued the District Court's first finding of no exceptional case was erroneous as a matter of law and evidence. Such an argument clearly constitutes a motion under Rule 60(b).

At the insistence of Respondents, the Federal Circuit below relied upon two clearly distinguishable decisions of the Eleventh Circuit. The holding in *Hidle v. Geneva County Bd. of Educ.*, 792 F.2d 1098

(11th Cir. 1986), *rehearing denied in banc,* 798 F.2d 1420, *cert. denied,* 479 U.S. 1088 (1987), *on remand,* 681 F.Supp. 752 (M.D. Ala. 1988), was inapplicable to the case at bar. It rested solely upon Rule 59(e) because the Appellee had failed to file any motion, whether under Rules 59(e), 60(b), or otherwise, challenging any part of the District Court's judgment. In *Burnham v. Amoco Container Co.,* 738 F.2d 1230 (11th Cir. 1984), neither party filed any motion, under Rules 59(e), 60(b), or otherwise, before the District Court, *sua sponte,* dismissed a complaint. The Eleventh Circuit explained the Court's subsequent decision to vacate judgment of dismissal was an order under Rule 59(e) tolling the time for appeal. Neither the *Hidle* not *Burnham* facts or Eleventh Circuit procedure were applicable to the

case at bar. The Federal Circuit simply applied the wrong line of Eleventh Circuit cases.

The Supreme Court has recognized the growing division among the Courts of Appeals in the proper application of Rule 59(e). In *Miles Osterneck et al. v. Ernst & Whinney*, 825 F.2d 1521 (11th Cir. 1987), *cert. granted* ____ U.S. ____ (No. 87-1201, 1988 Term), this Court has before it a conflicting approach between the Circuits under Rule 59(e). In the Eleventh Circuit, even a motion for costs filed within 10 days of a Final Judgment, does not constitute a motion under Rule 59(e), as the Federal Circuit below would have required. See, *Lucas v. Florida Power & Light Co., 729 F.2d 1300 (11th Cir. 1984).*

The existence of the exceptional case issue in this case provides yet further

importance to the issues. It also creates a direct conflict within the caselaw interpreting Section 285 and the paramount concern in preserving the integrity of the patent prosecution process which relies so heavily upon applicants' duty of candor codified at 37 C.F.R. §1.56(a). For example, in *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986), the Federal Circuit held a trial court's failure to find exceptional case, based upon a finding of fraud in the PTO, was an abuse of discretion. The Federal Circuit in this case, however, ignored such precedent, including a possible remand for new exceptional case findings as was ordered in *S.C. Johnson*. See, 781 F.2d 198, 201-2.

III. The Federal Circuit's Finding of Mootness below and Vacation of the District Court's Judgment of Fraud and Invalidity Conflict with Decisions of the Supreme Court and other Courts of Appeals while Allowing Revival of Fraudulent Patents by the Fraudulent Parties' Contrivance.

The Federal Circuit's decision created a second basis for granting *certiorari*. Its decision to vacate the District Court's judgment of fraud and invalidity as moot conflicts with the stringent test for mootness laid down by the Supreme Court in *United States v. Concentrated Phosphate Export Association*, 393 U.S. 199 (1968). In that case, the Supreme Court held a case which becomes moot while on appeal, requires dismissal of the appeal, not vacating the District Court judgment from which the appeal was taken. See also, *Mills v. Greene*, 159 U.S. 651 (1895).

The Federal Circuit's decision on mootness in this case also affronts cases of the other Courts of Appeals. In a patent case decided by the Second Circuit, for example, *Cover v. Schwartz*, 133 F.2d 541 (2nd Cir. 1943) *cert. denied* 319 U.S. 748, that Circuit recognized that to allow findings of invalidity to be vacated for mootness, simply because a patentee failed, as here, to establish infringement and to appeal that adverse judgment, would create an injustice to the appellee who obtained the benefit of invalidity findings. The *Cover* court recognized any notion of vacating the District Court's judgment of invalidity for mootness would be, ". . .so fine an opportunity generally for a defeated Plaintiff [the patentee] that such a result is really unthinkable. . . ." 133 F.2d, at 549.

The Federal Circuit's decision also conflicts with precedent in the District of Columbia and Ninth Circuits. See, e.g., *Center for Science in the Public Interest v. Regan*, 727 F.2d 1161 (D.C. Cir. 1984)(when the appellant causes dismissal of its own appeal, it is in no position that its right of review of an adverse lower court decision has been lost. Conversely, the prevailing party ought to be left in the same position as if no appeal had been taken); *Ringsby Truck Lines v. Western Conference of Teamsters*, 686 F.2d 720, 721-23 (9th Cir. 1982); and *Zeminsky v. U.S. Environmental Protection Agency*, 767 F.2d 573, at n. 3 (9th Cir. 1985).

The decisions on which the Federal Circuit relied in vacating the unappealed findings enjoyed by Petitioner also reveal

a state of considerable confusion on the concept of mootness in patent actions. The Supreme Court should grant *certiorari* in this action to address, for the first time ever, application of the mootness concept to patent litigation.

The Federal Circuit's confusion on the concept of mootness arises directly from the two cases on which it relied in vacating the findings of fraud and invalidity made by the District Court. Those decisions, *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627 (Fed. Cir. 1987), *cert. denied*, ____ U.S. ____, 108 S. Ct. 751, (1988), and *Vieau v. Japax, Inc.*, 723 F.2d 1510 (Fed. Cir. 1987), involved issues favorable to the appealing party, which issues the appealing party did not appeal. Under the Supreme Court's decision in *United States v. Munsingwear*,

340 U.S. 36 (1950), vacating the decisions below in those appeals was appropriate to clear a path for further litigation between the parties. The Federal Circuit's failure to draw any distinction between favorable and unfavorable findings therefore directly conflicts with the law of the District of Columbia, Second, and Ninth Circuits.

The Federal Circuit's action in vacating the District Court's findings of fraud and invalidity also raises an issue of paramount public significance, as the intellectual property rights protected by patents become increasingly important in the global economy. By allowing a holder of patents found fraudulently procured to revive such patents by the simple expedient of failing to lodge an appeal from infringement counterclaim, the

Federal Circuit's decision below is an effective invitation to defeating the ends of justice. Such holders of putative patents need only file counterclaims for infringement, lose such counterclaims in the District Courts, and fail to appeal such findings of non-infringement to expunge their findings of fraud and invalidity. Petitioner therefore submits *certiorari* should be granted in this case to rectify such as anomalous and contradictory result.

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CONCLUSION

For all the foregoing reasons, the Supreme Court should grant *certiorari* to resolve the conflict among the circuits under Rule 59(e), the conflict under Rules 59(e) and 60(b) created by the Federal Circuit sitting as the Eleventh Circuit, and the conflict created by the Federal Circuit between Rules 59(e) and 60(b); to preserve the strong Congressional policy against the perpetration of fraud in the PTO; to eliminate the conflict between the Federal Circuit's disposition for mootness and the precedent of the Supreme Court and other Courts of Appeals; and to rectify the anomalous result of allowing perpetrators of fraud in the PTO to revive

their stricken patents by electing not to appeal other parts of the judgment they also lost in the District Court.

Respectfully submitted,

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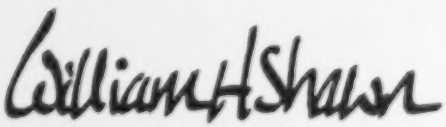
Respectfully submitted,



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